

DETROIT GENERAL RETIREMENT SYSTEM UNDER THE PLAN OF ADJUSTMENT

FREQUENTLY ASKED PENSION QUESTIONS FOR ACTIVE GENERAL CITY EMPLOYEES RELATING TO ANNUITY SAVINGS FUND

Q1 -- Where can I find information about the Annuity Savings Fund return rates for Fiscal Years 2004-2013 to replicate the calculation of excess earnings and verify the estimated recoupment that appears on my ballot?

A1 -- For purposes of calculating the excess regular interest earnings in your Annuity Savings Fund account in the City's proposed Plan of Adjustment, the City used the same rule that was provided in former Section 47-1-18 of the Detroit City Code in effect when the recoupment amounts were calculated. Under that rule, annual Annuity Savings Fund interest credit was based on the actual returns earned by GRS, except that in no year could the return be less than zero (0%) or more than 7.9%. Section 47-1-18, as amended, is now Section A-18 of Component II of the New GRS Pension, and the maximum interest crediting rate will be 5.25%, effective for plan years beginning on or after July 1, 2014. **See Q&A 7.**

The market return rates that the GRS actually earned, the investment rates you were actually credited, and the return rates that were used to calculate excess earnings for purposes of Annuity Savings Fund Recoupment are as follows:

Fiscal Year End	Actual Market Rate of Return	Regular Interest Allocated to ASF Accounts	Bonus Interest Allocated to ASF Accounts	Investment Rate Under Code Section 47-1-18
June 30, 2004	15.577%	7.9%	0.0%	7.9%
June 30, 2005	9.171%	7.9%	1.340%	7.9%
June 30, 2006	11.558%	7.9%	13.474%	7.9%
June 30, 2007	18.938%	7.9%	15.086%	7.9%
June 30, 2008	-4.327%	7.9%	0.0%	0.0%
June 30, 2009	-19.667%	7.9%	0.0%	0.0%
June 30, 2010	4.540%	7.9%	0.0%	4.540%

June 30, 2011	20.218%	7.9%	0.0%	7.9%
June 30, 2012	0.529%	7.9%	0.0%	0.529%
June 30, 2013	12.233%	7.9%	0.0%	7.9%

Please be aware that if the total excess regular interest earnings and bonus interest earnings in your ASF Account based on the annual return rates set forth above were greater than 20% of the highest year-end value of your account, then for Plan of Adjustment purposes your excess earnings are 20% of the highest year end value of your account and not the excess amount.

Q2 -- Can I make a lump sum payment equal to the amount GRS seeks to recoup for the excess earnings on the Annuity Savings Fund, instead of having monthly deductions from my pension checks? If so, how do I make this payment?

A2 -- YES. After the Plan of Adjustment becomes effective, you will be given a **one-time** opportunity to make a lump sum payment of excess earnings to GRS. Shortly after the effective date of the Plan of Adjustment, you will receive an election form that will contain your lump sum payment amount and offer you the chance to repay excess earnings in a lump sum payment. You must return the election form no later than the election date set forth on the form ("Election Date") in order to be eligible for the lump sum option. There is a cap on the total amount of lump sum re-payments that can be made by all participants to GRS; if the total amount participants elect to pay in cash exceeds the cap, each electing participant will be permitted to make a lump sum payment of his or her pro rata share of the cap, as determined by GRS. The rest of the excess earnings will be deducted from your monthly pension checks. If you make an election, then within 14 days of the Election Date GRS will send you a "Final Cash Payment Notice" that contains the amount of your lump sum cash payment. You will have 90 days from the effective date of the Plan of Adjustment or 50 days from the date GRS mails your Final Cash Payment Notice (whichever date is later) to make a lump sum payment to GRS. **This deadline will not be extended for any person under any circumstances.** Payment must be made in the form of a cashier's check or wire transfer. No personal checks will be accepted.

Q3 -- If I have already "rolled" my annuity into another retirement plan, will GRS allow me to roll it back into GRS to cover the amount sought under the recoupment? If so, will this amount be subject to taxes?

A3 Maybe. See **Q&A 2** for a description of your right to make a lump sum cash repayment of amounts subject to recoupment. If the retirement plan or IRA that you rolled your annuity payment into is willing to directly transfer the recoupment amount to GRS, GRS will accept the transfer from the trustee of the retirement plan or the custodian of the IRA. Further information on how to make a transfer from a retirement plan or IRA will

be provided. The City recommends that you contact your personal tax advisor for information about the tax treatment of any amounts rolled back into GRS.

Q4 -- If I have not taken a full distribution of my Annuity Savings Fund account, will GRS recoup the balance in my Annuity Savings Fund account in full before deducting from my pension checks?

A4 -- YES. If the excess earnings cannot be recouped from the current balance in your Annuity Savings Fund account, then you can pay the remainder in a lump sum cash payment as described in **Q&A 2**. If you do not make a lump sum payment, your excess earnings will be recouped by reducing your monthly pension when you retire.

Q5 -- If I am a former City employee with more than 10—but less than 25—years of service and I previously withdrew the entire balance of my Annuity Savings Fund account and paid an early withdrawal penalty, how does GRS intend to recoup my excess earnings?

A5 -- The excess earnings that GRS intends to recoup was determined without regard to whether employees who took distributions of their Annuity Savings Fund accounts have already paid taxes on the distributions. If you paid taxes (including an early withdrawal penalty) when you received distribution of your Annuity Savings Fund account, you may be able to file an amended tax return. Neither the City nor any of its employees can provide tax advice to GRS members. The City recommends that you contact your personal tax adviser for more information.

Q6 -- Will I be able to withdraw the balance of my Annuity Savings Fund account after 25 years of service, and before reaching 60 or 62 years of age, and continue working for the City? Can I still “roll it over” into another retirement plan?

A6 -- YES, with respect to contributions you made to your Annuity Savings Fund account under the Old GRS Pension. There is no in-service withdrawal option for your voluntary after-tax contribution account under the New GRS Pension.

Q7 -- After June 30, 2014, is my Annuity Savings Fund account “frozen” like any pension I may have earned under the Old GRS Pension?

A7 -- Your contributions will stop under the Old GRS Pension effective as soon as practicable after June 30, 2014. You may make voluntary after-tax contributions of 3%, 5% or 7% of your pay to the GRS after that date, but those contributions will be subject to the rules under the New GRS Pension. Your Annuity Savings Fund account under the Old GRS Pension will continue to be credited with earnings until you withdraw it. For purposes of interest credits after June 30, 2014, your Annuity Savings Fund account will be credited with the actual net investment returns of GRS, except the credited interest rate will never be lower than 0% or greater than 5.25%.